

REGULAR BOARD OF TRUSTEES MEETING MINUTES

Tuesday, August 1, 2006

Don Bennett called the meeting to order at 10:10 a.m. Other Board members present included Kevin Boehnlein, Karen Davis, Tim Walsh, Cari Whicker and Chuck Schalliol.

TRF staff present included Cristy Wheeler, Bob Newland, Tom Abbett, Crystal Lawson, Phil Barnes, Amy Maynard, Ken Smithee, Steffanie Rhinesmith, Tom Davidson, Dave Yeater, Dan Diebolt and Shelley Horner. Also in attendance were Alejandro Valle of Gonzalez, Saggio & Harlan, LLP, Lisa Harrison of Ice Miller, Larry Schmits and Deb McNear from Krieg Devault, Steve Moberly of IRTA, Adam VanOsborne of Indiana Education Insight and Marilynn Edwards of ISTA.

Cristy Wheeler introduced our outside counsel representatives, Alejandro Valle from the law firm of Gonzalez, Saggio & Harlan, LLP, Larry Schmits and Deb McNear of Krieg DeVault LLP and Lisa Harrison from Ice Miller.

The Agenda was presented.

Karen Davis moved to approve the agenda. Chuck Schalliol seconded the motion. The motion carried.

The minutes of the June 27, 2006 meeting were presented.

Kevin Boehnlein moved to approve the minutes. Cari Whicker seconded the motion. The motion carried.

Shelley Horner presented retiree payments for the month of August 2006.

Kevin Boehnlein moved to accept the payments. Chuck Schalliol seconded the motion. The motion carried.

Tom Abbett presented the expenditures for June 2006. Tom also noted TRF was 3.5% under budget for the 05-06 fiscal year coming in at 96.5%.

Alan Torrance presented the investment portion from Cost Effective Measurement (CEM) for the period ending June 30, 2005. Alan stated the Fund had normal to slightly low costs. TRF's 5-year policy return was above the US median and peer median of 5.2% coming in at 6.4%. The Fund's implementation value added was -0.5% compared to the US median of 0.8% and the peer median of 0.2%. Our implementation risk was 1.1%, which was slightly below the US median of 1.3% and below the peer median of 1.5%.

The Fund's total costs were 33.7 basis points, which were close to our benchmarking cost of 36.5 basis points suggesting that the Fund was normal cost. The Fund was low cost by 2.8 basis points based on the Fund paying less for external active management, oversight, custodial and other costs. For 2005, TRF had a positive value added and normal costs on the cost effectiveness chart. The Fund's 5-year asset-liability mismatch risk was 15.6%, which was below the US median of 16.8% and below the peer median of 16.9%.

Tom Scheibelhut of CEM discussed the Benefit Administration Benchmarking results for the period ending June 2005. Tom reported our service level was high and our costs were low. The Fund's total administrative costs were \$49, which were below the peer median of \$69. The total actual cost was \$49 which was below our benchmark cost of \$87. TRF's total service score was above the peer median of 78 coming in at 81. Our relative complexity score of 31 was below the peer median of 35 and the total volume of 111,500 active members and annuitants was below the peer median of 121,450. CEM also noted the recent review of published documents pointing out TRF's quarterly statements could be improved. This year CEM is reviewing call centers.

The CEM presentation ended at 11:30 a.m.

There was a 5 minute recess. The meeting resumed at 11:37 a.m.

Cristy Wheeler discussed the Director's report. Cristy Wheeler updated the Board on a surplus overage in our Anthem account. TRF recommends we elect to receive a refund of the money rather than leave it with Anthem. The staff also recommends investing the \$2.5 million in accordance with our general asset allocation.

Chuck Schalliol moved to approve the refund and investing the \$2.5 million in the general asset allocation. Tim Walsh seconded the motion. The motion carried.

Cristy Wheeler and Ken Smithee presented four updated policies to the Board for approval. The policies before the Board are Compensatory Policy for Exempt Employees, Sick Leave Donation Policy, Employee Benefits Policy and Attendance and Leave Policy. The Board asked staff to research the 5-7 year window for pre-tax dollars to be contributed in the Employee Benefits Policy.

Karen Davis moved to approve the Compensatory Policy for Exempt Employees, Sick Leave Donation Policy, Employee Benefits Policy and Attendance and Leave Policy as presented. Cari Whicker seconded the motion. The motion carried.

Cristy Wheeler noted we would discuss the blanket bond at next month's meeting, due to information still being researched for the Board. Cristy conveyed to the Board that PERF and TRF will be meeting with the Pension Management Oversight Committee (PMOC) on August 22nd.

Cristy reminded the Board of the Election of Officers which will need to take place at next month's meeting. She spoke with the current officers of the Board and they were willing to continue their roles.

Bob Newland and Tom Davidson discussed the amended Investment Policy Statement and recommended approval as presented.

Kevin Boehnlein moved to approve the Investment Policy Statement as presented. Tim Walsh seconded the motion. The motion carried.

Cristy Wheeler handed out the 2nd Quarter results highlighting the payroll change from an outside vendor to the State Auditor's office, which will save TRF dollars and work hours. Crystal Lawson spoke of the Operations Divisions 2nd Quarter results noting the interactive web, records backlog solution and the audit process.

The next meeting was scheduled for August 29, 2006 at 10:00 a.m. The September meeting was confirmed for September 26, 2006.

Kevin Boenlein moved to approve adjournment. Chuck Schalliol seconded the motion. The motion carried. There being no additional business, the meeting adjourned at 12:12 p.m.